

COMPLIANCE AUDIT  
OF  
PRIVATE COLLEGES' ENROLLMENTS  
DEPARTMENT OF TREASURY  
1997-98

## EXECUTIVE DIGEST

# PRIVATE COLLEGES' ENROLLMENTS

INTRODUCTION	<p>This compliance audit covers the Michigan Higher Education Assistance Authority's (MHEAA's) administration of private colleges' competitive scholarship and tuition grant programs for the fall 1997-98 academic period, adult part-time grant and Michigan work-study programs for the 1996-97 academic period, and degree reimbursements for degrees conferred during fiscal year 1996-97.</p>
AUDIT PURPOSE	<p>This audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and was required by Act 84, P.A. 1997, the annual appropriations act for State institutions of higher education and certain State purposes related to education.</p> <p>The purposes of our audit were to determine that grant recipients met eligibility requirements, that private colleges appropriately accounted for the adult part-time grants and Michigan work-study awards, and that private colleges requested reimbursement for only eligible degrees conferred.</p>
BACKGROUND	<p>MHEAA, through the Department of Treasury, is responsible for administering private college competitive scholarships, tuition grants, adult part-time grants, Michigan work-study awards, and degree reimbursements. For the 1997-98 academic period, the Legislature</p>

appropriated \$31.7 million for competitive scholarships and \$57.8 million for tuition grants. For the 1996-97 academic period, it appropriated \$2.5 million for adult part-time grants and \$6.9 million for Michigan work-study awards. For fiscal year 1997-98, the Legislature also appropriated \$6.0 million for general, nursing, and allied health degrees and \$4.5 million for dental degrees conferred during fiscal year 1996-97.

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**AUDIT OBJECTIVES  
AND CONCLUSIONS**

**Audit Objective:** To determine that students at private colleges receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards met eligibility requirements stated in the enabling legislation and the appropriations act.

**Conclusion:** In general, students at private colleges receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards met eligibility requirements.

**Audit Objective:** To determine that the private colleges appropriately accounted for adult part-time grant and Michigan work-study funds.

**Conclusion:** In general, the private colleges appropriately accounted for these funds.

**Audit Objective:** To determine that the private colleges requested reimbursement for only eligible degrees earned by Michigan residents.

**Conclusion:** The private colleges generally requested reimbursement for only eligible degrees earned by Michigan residents.

<hr/> AUDIT SCOPE	<p>Our audit scope was to examine, at 10 of 49 private colleges, selected records supporting the competitive scholarships and tuition grants awarded for the fall 1997-98 academic period, adult part-time grants and Michigan work-study funds awarded during the 1996-97 academic period, and degrees conferred during fiscal year 1996-97 and submitted for reimbursement in fiscal year 1997-98. Our audit was conducted in accordance with <i>Government Auditing Standards</i> issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.</p> <p>The private colleges included in our review were:</p> <ul style="list-style-type: none"> <li>Adrian College</li> <li>Center for Humanistic Studies</li> <li>Cleary College</li> <li>Cornerstone College</li> <li>Davenport College - Kalamazoo Campus</li> <li>Lewis College of Business</li> <li>Michigan Jewish Institute</li> <li>Rochester College</li> <li>Sacred Heart Major Seminary</li> <li>William Tyndale College</li> </ul>
<hr/> PRIOR AUDIT FOLLOW-UP	<p>MHEAA, in conjunction with the private colleges, resolved all of the prior audit exceptions identified in our prior audit conclusions.</p>

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The Honorable Harry Gast, Chairman  
Senate Appropriations Committee  
Michigan State Senate  
and  
The Honorable Morris W. Hood, Jr., Chairman  
House Appropriations Committee  
Michigan House of Representatives  
State Capitol  
Lansing, Michigan

Dear Senator Gast and Representative Hood:

This is our report on the 1997-98 compliance audit of Private Colleges' Enrollments, Department of Treasury.

This report contains our executive digest; description of program; audit objectives, audit scope, and agency responses and prior audit follow-up; and comments and agency preliminary responses.

We appreciate the courtesy and cooperation extended to us by the Department of Treasury and the private colleges.

Sincerely,

Thomas H. McTavish, C.P.A.  
Auditor General

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## Description of Program

The Michigan Higher Education Assistance Authority (MHEAA), through the Department of Treasury, is responsible for administering four programs for students attending private colleges: competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards. MHEAA is also responsible for administering the private college degree reimbursement program.

Act 208, P.A. 1964 (Sections 390.971 - 390.981 of the *Michigan Compiled Laws*), established the competitive scholarship program. This program provides scholarships to Michigan residents attending eligible Michigan colleges and universities.

Act 313, P.A. 1966 (Sections 390.991 - 390.997a of the *Michigan Compiled Laws*), established the tuition grant program. This program provides grants to Michigan residents enrolled in private nonprofit colleges and universities.

Act 102, P.A. 1986 (Sections 390.1281 - 390.1288 of the *Michigan Compiled Laws*), established the adult part-time grant program. This program provides grants to undergraduate independent students who are Michigan residents enrolled part-time at approved Michigan colleges and universities.

The Michigan work-study program was originally established by an appropriations act for fiscal year 1986-87 (Act 219, P.A. 1986) and was continued by Act 288, P.A. 1986 (Sections 390.1371 - 390.1382 of the *Michigan Compiled Laws*), for undergraduates and Act 303, P.A. 1986 (Sections 390.1321 - 390.1332 of the *Michigan Compiled Laws*), for graduates. This program provides eligible students attending Michigan colleges and universities with subsidized part-time employment.

The adult part-time and Michigan work-study programs are college-based programs. The funds are paid to the colleges, and the colleges are responsible for selecting grant recipients and disbursing the grant awards.

Separate degree reimbursement programs were combined under Act 75, P.A. 1974, as amended (Sections 390.1021 - 390.1027 of the *Michigan Compiled Laws*). Accordingly,

reimbursement is provided to each approved nonpublic institution of higher education for degrees conferred on Michigan residents during the prior year.

Appropriations are provided for reimbursement for associate degrees, bachelor's or master's degrees, doctor of dental surgery degrees, doctor of dental medicine degrees, and baccalaureate or master's degrees in nursing and certain allied health fields.

For the 1997-98 academic period, the Legislature appropriated \$31.7 million for competitive scholarships and \$57.8 million for tuition grants. For the 1996-97 academic period, it appropriated \$2.5 million for adult part-time grants and \$6.9 million for Michigan work-study awards. For fiscal year 1997-98, the Legislature also appropriated \$6.0 million for general, nursing, and allied health degrees and \$4.5 million for dental degrees conferred during fiscal year 1996-97.

## Audit Objectives, Audit Scope, and Agency Responses and Prior Audit Follow-Up

### Audit Objectives

Our compliance audit of Private Colleges' Enrollments had the following objectives:

1. To determine that students at private colleges receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards met eligibility requirements stated in the enabling legislation and the appropriations act.
2. To determine that the private colleges appropriately accounted for adult part-time grant and Michigan work-study funds.
3. To determine that the private colleges requested reimbursement for only eligible degrees earned by Michigan residents.

### Audit Scope

Our audit scope was to examine, at 10 of the 49 private colleges, selected records supporting the competitive scholarships and tuition grants awarded for the fall 1997-98 academic period, adult part-time grants and Michigan work-study funds awarded during the 1996-97 academic period, and degrees conferred during fiscal year 1996-97 and submitted for reimbursement in fiscal year 1997-98. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The private colleges included in our review were:

Adrian College  
Center for Humanistic Studies  
Cleary College  
Cornerstone College  
Davenport College - Kalamazoo Campus  
Lewis College of Business  
Michigan Jewish Institute

Rochester College  
Sacred Heart Major Seminary  
William Tyndale College

Agency Responses and Prior Audit Follow-Up

The agency preliminary response which follows each comment in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork.

The Michigan Higher Education Assistance Authority, in conjunction with the private colleges, resolved all of the prior audit exceptions identified in our prior audit conclusions.

## **COMMENTS AND AGENCY PRELIMINARY RESPONSES**

### **COMPETITIVE SCHOLARSHIP, TUITION GRANT, ADULT PART-TIME, AND MICHIGAN WORK-STUDY PROGRAMS**

#### **COMMENT**

**Audit Objective:** To determine that students at private colleges receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards met eligibility requirements stated in the enabling legislation and the appropriations act.

**Conclusion:** In general, students at private colleges receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards met eligibility requirements. Our review of 690 students who received grants and awards disclosed 9 instances in which students did not meet eligibility requirements or the college could not provide documentation of Michigan residency. We referred these 9 items to the Michigan Higher Education Assistance Authority (MHEAA) for follow-up.

#### **AGENCY PRELIMINARY RESPONSE**

MHEAA staff asked the colleges to provide evidence of the students' eligibility for program funds. In cases for which the colleges cannot supply records supporting eligibility, appropriate refunds, award adjustments, or cancellations will be required.

### **ACCOUNTING FOR ADULT PART-TIME GRANT AND MICHIGAN WORK-STUDY FUNDS**

#### **COMMENT**

**Audit Objective:** To determine that the private colleges appropriately accounted for adult part-time grant and Michigan work-study funds.

**Conclusion:** In general, the private colleges appropriately accounted for these funds. Our review of 10 colleges disclosed 1 college that did not provide at least 20% of the wages earned by the Michigan work-study students. We referred this item to MHEAA for follow-up.

#### **AGENCY PRELIMINARY RESPONSE**

MHEAA staff asked the college to provide evidence of the percentage of wages paid by the college for Michigan work-study students to determine if MHEAA staff should request a refund.

### **DEGREE REIMBURSEMENT PROGRAM**

#### **COMMENT**

**Audit Objective:** To determine that the private colleges requested reimbursement for only eligible degrees earned by Michigan residents.

**Conclusion:** The private colleges generally requested reimbursement for only eligible degrees earned by Michigan residents. Our review of 201 degrees submitted for reimbursement disclosed only 1 ineligible degree. The college could not document that the student earned the required credit hours. We referred this item to MHEAA for follow-up.

#### **AGENCY PRELIMINARY RESPONSE**

MHEAA staff requested a refund or documentation of the student's completion of the required number of credit hours.